

CONFIDENTIAL

5 MAY 1965

Case No. 5-272

Declass Review by NGA.

MEMORANDUM FOR: Chief, Procurement Division/OL

ATTENTION : Chief, Industrial Contract Section [REDACTED]

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SUBJECT : Analysis of Cost Proposal No. TP-288, Submitted by [REDACTED]

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1. In compliance with your request dated 20 April 1965, we have performed a cost analysis of the subject proposal. A summary of our analysis is shown on the attached Exhibit A.

2. The Contractor's proposal to develop a prototype of an operational, automatic target-recognition system is divided into two phases. This analysis is of the first phase only, in accordance with your request. The first phase is for nine months and is divided into five tasks that are to be carried out partly in series and partly in parallel. The main objective of phase one will be a complete systems specification with a functional design to serve as the basis for the detailed system design and development.

3. Proposed direct labor includes a 5% increment. This increment is not accepted by the cognizant Air Force auditor. Our analysis indicates that an increment of 2% would be more reasonable. The Contractor's labor hour estimate is supported by an analysis by labor classification by task. Attached as Schedule A-1 is an analysis of labor hours by tasks. We recommend that the engineering section determine the reasonableness of the hours. The average labor rates used in the proposal were verified as those in effect on 31 January 1965.

4. We verified the catalogue prices of the paper tape punch, logic tray and cards and power supply, which make up most of the material costs, and found them to be realistic. Computer charges are based on the usage of a rented Bendix G-15D computer. The Contractor is proposing computer costs of [REDACTED] [REDACTED]. The actual computer cost is approximately [REDACTED] an hour. Computer costs, for the first three years, are capitalized and amortized over the same three year period at the rate of [REDACTED] for each hour of computer use. The Contractor is of the opinion that the [REDACTED] an hour charge is realistic, although it appears low at this time. You may wish to specify, in the contract, that computer costs, both direct and indirect, shall not exceed [REDACTED] n hour.

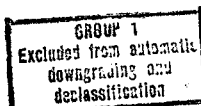
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[Redacted]

5. The Contractor is using an overhead rate of 135% which is based on total performance of both phases of the contract. Phase one is for nine months. Therefore, we recommended that the Contractor's projected rate of 130% of direct labor dollars for calendar year 1965 be used. This rate is accepted for proposal purposes by the Air Force Audit Office.

[Redacted]

Chief

Industrial Contract Audit Division

Attachments:

Exhibit A

Schedule A-1

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GROUP 1
Excluded from automatic
downgrading and
declassification

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Approved For Release 2005/05/02 : CIA-RDP78B04770A002100010032-4

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Schedule A-1

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Analysis of Labor Hours by Task - Phase No. 1

Labor Classification	Task Numbers					Total 9 Months
	1 3 Months	2 5 Months	3 4 Months	4 2 Months	5 1 Month	
<u>Engineering</u>						
Supervisor	250	229	180	132	99	890
Project Engineer	362	336	264	193	145	1300
Senior Engineer	435	405	324	258	178	1600
Engineer	890	801	712	445	152	3000 ✓
Engineer Tech.		500				500
Project Planner		44				44
Engineering Aid		200				200
<u>Drafting</u>						
Supervisor		10		10		20
Drafting		100		100		200
<u>Machine Shop</u>						
Supervisor		8				8
Sheet Metalist		40				40
<u>Wire Shop</u>						
Supervisor		20				20
Senior Wireman		200				200
<u>Technical Writing</u>						
Technical Writer					50	50
Reproduction Operator					75	75
	<u>1937</u>	<u>2893</u>	<u>1480</u>	<u>1138</u>	<u>699</u>	<u>8147</u>

Passed by Bid Committee on 18 March 1965 -

the Project Engineer, Senior

Research Scientist, Executive Vice President, Contract Administrator,
 Director of Marketing and Vice President - Engineering respectively,
 comprised the Bid Committee

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